

# OIL AND GAS LEASE (PAID-UP)

TriEnergy Holdings  
West Virginia

This Lease Agreement is made as of the 20 day of JULY, 2010 between  
Grace Ann Kennedy, a widow

of RR6 Box 311 Wheeling WV 26003 as Lessor, (whether one or more), and **TriEnergy Holdings, LLC, P.O. Box 89, 412 Beaver Street, 2<sup>nd</sup> floor, Sewickley, PA 15143**, as Lessee.

(1) LEASE - In consideration of the sum of One Dollar (\$1.00) in hand paid, the receipt of which is hereby acknowledged, and in further consideration of the covenants and agreements herein contained, Lessor hereby leases and lets exclusively to Lessee, its successors and assigns, for the purpose of exploring for, developing, producing and marketing oil and gas, including methane gas present in any coal seam, along with all hydrocarbon substances produced in association therewith, the following described land:

(2) DESCRIPTION - All that certain tract of land situate in the Sandhill, District, Marshall County, State of West Virginia being duly bounded and described as follows:

On the North by: n/f

On the East by: n/f

On the South by: n/f

On the West by: n/f

Tax Parcel No: 12-1-22, 12-1-22.1

Containing .63 acres, more or less, being the same land conveyed by \_\_\_\_\_

\_\_\_\_\_ and recorded in the records of said county in Book WB 56, Page 431. This lease includes any interest in said property which Lessor hereafter acquires by reversion, prescription or otherwise.

(3) TERM - Subject to the other provisions contained herein, this lease shall be in force for a primary term of five (5) years from the date of this lease and for so long thereafter as oil, gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained pursuant to the provisions hereof.

(4) Royalty Payment - (a) For crude oil, including condensate, Lessee shall pay to the Lessor, as royalty, free of production cost, Sixteen Percent (16%) of the proceeds realized by Lessee from the sale of all crude oil produced and sold from the leased premises. (b) For gas (including casing-head gas) and all other substances covered hereby, the royalty shall be Sixteen Percent (16%) of the proceeds realized by Lessee from the sale thereof, with no deduction of any costs incurred by Lessee or its affiliates to gather, transport, compress, dehydrate or otherwise treat such gas prior to the point of custody transfer into pipelines or other facilities owned by a regulated utility or pipeline company or a non-affiliated third party.

If the Lessee chooses to make this leasehold part of a unit for an enhanced recovery project and surplus gas is marketed from that unit, then any payment for gas marketed shall be divided pro rata among the various Lessors in such unit in accordance with the number of acres each owns in said unit from which gas is taken in the recovery, provided however, that if Lessee produces or purchases gas outside the unit and uses it in said unit, then Lessee shall pay for gas marketed only to the extent that it exceeds the outside gas produced or purchased. Lessee may use gas produced from the leased premises, without charge, for injection into wells located on said leased premises or on a unit of which the leased premises is part, and for said purpose may commingle said gas with gas produced elsewhere.

(5) LESSOR'S INTEREST - If Lessor owns a less interest in the above-described land than the entire and undivided estate herein leased, then the royalties, shut-in royalties and rentals herein provided shall be paid by Lessee only in the proportion to which Lessor's interest bears to the whole and undivided estate. If the leased premises shall hereafter be subdivided, the premises shall nevertheless be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety, and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each owner bears to the entire leased acreage.

(6) RENTAL PAYMENT - This lease is made on the condition that it will become null and void and all rights hereunder shall cease and terminate unless work for the drilling of a well is commenced on the leased premises or lands pooled herewith within Ninety (90) days from the date of this lease and prosecuted with due and reasonable diligence, or unless the Lessee shall pay to the Lessor, in advance, every twelve (12) months until work for the drilling of a well is commenced, the rate of Five Hundred and no/100 Dollars (\$ 500.00) per net acre leased for each twelve (12) months during which the commencement of such work is delayed.

Payment or tender of all moneys due Lessor hereunder may be made by check or draft mailed or tendered to Lessor either:

(a) To the Lessor direct, at the address above stated;

(b) If the Lessor consists of two or more persons, then to \_\_\_\_\_, who is hereby appointed the agent of the Lessor to receive such payments;

(7) CONTINUING OPERATIONS - If, at the end of the primary term or any time thereafter, this lease is not being kept in force by any other provision hereof, but Lessee is then engaged in drilling, reworking or any other operation calculated to obtain production on the leased premises or lands pooled therewith, this lease shall remain in force as long as such operations are conducted in a reasonably prudent manner and, if such operations result in the production of any substance covered hereby, as long thereafter as production continues in paying quantities.

(8) POOLING - Lessee is hereby granted the right to pool or unitize the leased premises, or any part thereof, with any other property for the production of any substance covered hereby, so as to create one or more drilling or production units. Said drilling or production units shall not exceed six hundred forty (640) acres. In the event this lease is so unitized, the Lessor agrees to accept in lieu of the royalty herein before recited, such proportion of the royalty above provided as the acreage contributed by this lease bears to the total acreage comprising the unit.

Lessee shall create the unit by executing an instrument identifying and describing the pooled acreage and shall mail a copy thereof to the Lessor's last known address. Lessee shall have the recurring right to revise any unit formed hereunder either before or after commencement of production. In the event of a revision, Lessee shall execute a written instrument describing the revised unit and stating the effective date of the revision. Lessee shall mail a copy thereof to the Lessor's last known address and the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination.

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TRIENERGY HOLDINGS LLC  
P O BOX 89  
SEWICKLEY, PA 15143-0089

Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall, except for the payment of royalties, be treated as if it were production drilling or reworking operations on the leased premises.

~~(9) GAS STORAGE - Lessee shall have the exclusive right, upon written notice to the Lessor, to use any formation underlying the leased premises for the storage of gas and shall have all rights necessary to store and produce such stored gas. Lessee agrees to pay Lessor an annual rental of Ten Dollars (\$10.00) per acre for all lands which Lessee wishes to use for the storage of gas payable in advance while the premises are so used and so long as storage payment is made all provisions of this lease shall remain in full effect.~~

(10) SHUT-IN ROYALTY - If beyond the initial primary term of this lease, which is paid-up for such five (5) year term, and notwithstanding anything herein to the contrary if all wells on the leased premises, or on a unit that includes all or a part of the leased premises, capable of producing gas in paying quantities are shut-in for a period of one year and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force or when this lease is not otherwise kept in force by other provisions of this lease, the Lessee may maintain this lease in effect by tendering to Lessor a shut-in royalty equal to the delay rental provided for herein. Said shut-in gas royalty shall be paid or tendered to the Lessor on or before the end of each year in which the wells are shut-in. Upon payment of the shut-in gas royalty as provided herein, this lease will continue in force during all of the time or times while such wells are shut-in.

(11) TAXES - All taxes assessed or payable on the oil and gas or any increase in the real estate taxes, or taxes in lieu of real estate taxes, because of the oil and gas or operations under this lease shall be paid by the parties hereto in proportion to their interest.

(12) FORCE MAJEURE - When drilling or other operations are delayed or interrupted by storm flood, fire, or other acts of God, war, rebellion, insurrection, riot, strikes, differences with workmen or failure of carriers to transport or furnish facilities for transportation, or as a result of some law, order or regulation of the government, or as a result of shortage in material or equipment, or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruptions shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. This lease shall not be terminated in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of any such law, order, rule or regulation or any event beyond the control of the Lessee. If from such cause Lessee is prevented from conducting drilling or reworking operations on the leased premises or producing oil or gas from the leased premises, or lands pooled therewith, the time while the Lessee is so prevented shall not be counted against Lessee and this lease shall be extended for a period of time equal to that during which the Lessee is so prevented.

(13) DEFAULT - No default shall be declared against the Lessee for failure to make payment or perform any conditions provided for herein unless the Lessee shall refuse or neglect to pay or perform the same for forty-five (45) days after having received written notice from Lessor via certified US Mail of any possible breach of this Lease and the terms contained herein.

(14) SUCCESSORS AND ASSIGNS - All covenants and conditions between the parties hereto shall extend to their heirs, executors, successors and assigns and the Lessor hereby generally warrants and agrees to defend the title to the leased premises, but no change or division in ownership of the leased premises shall operate to enlarge the obligations or diminish the rights of the Lessee. Lessor agrees that the Lessee, at its option, may pay, discharge or redeem any taxes, mortgages or other liens existing, levied or assessed on or against the premises, and in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying any royalty or rentals accruing hereunder to the discharge of any such taxes, mortgages or other liens.

(15) ARBITRATION - Any question concerning this lease or performance thereunder shall be ascertained and determined by three disinterested arbitrators, one thereof to be appointed by the Lessor, one by the Lessee and the third by the two so appointed as aforesaid, and the award of such three persons shall be final and conclusive. The cost of such arbitration will be borne equally by the parties.

(16) ACCEPTANCE - This lease shall be deemed to be accepted by the Lessee upon execution by the undersigned duly authorized official of the Lessee.

(17) OPTION TO RENEW - Lessor further covenants that it will not grant an oil and gas lease or similar right for oil and gas covering the premises herein leased, or any portion thereof to any other party during the primary term of the lease and Lessee is hereby granted the right or option to extend the term of this lease for an additional five (5) year term commencing for a period within sixty (60) days after the end of the initial primary term of this lease at the rate of \$ 500 per net acre per year for an additional five (5) year term.

(18) WAIVER IN WRITING - The failure of either party to enforce or exercise any provision of this lease shall not constitute or be considered as a waiver of the provision in the future unless the same is expressed in writing and signed by the respective parties.

(19) Lessee shall indemnify and hold Lessor harmless from and against any and all direct and indirect liability, loss, cost, injury, damages, and expenses (including Attorney's fees) to any person or property arising from or in connection with the performance of its drilling and production operations and any damages or injury by or arising from any act of negligence, omission, or default of the Lessee in connection with its drilling and production operations on Lessor's property.

(20) In the event any activity carried on by Lessee, pursuant to the Lease, disturbs, injures, or damages fresh water source or well on the premises, Lessee shall, at its sole cost and expense, use its best efforts to repair or correct any such disturbance, injury, or damage.

(21) All access roads used by the Lessee pursuant to its drilling and producing operations on the leased premises shall be kept in a passable condition, free of significant ruts. Lessee shall utilize shale, gravel, or crushed stone and sluice pipes, where necessary, to maintain the condition of the roads. Upon request of Lessor, Lessee shall erect and maintain a gate on any access road used by Lessee. If the gate is locked, a key shall be furnished to the Lessor.

(22) Lessor hereby warrants that Lessor is not currently receiving any bonus, rental, production royalty as the result of any prior oil and gas lease covering any or all of the subject premises, and that there are no commercially producing wells currently existing on the subject premises, or upon other lands within the boundaries of a drilling or production unit utilizing all or a part of the subject premises.

(23) PAID-UP LEASE - Lessor hereby acknowledges receipt of payment in advance of all rentals set forth in Paragraph 6 herein above which are or may become due and payable for the five (5) years of the term set forth in Paragraph 3 herein above, and this Oil and Gas Lease is therefore paid up through said five (5) year term.

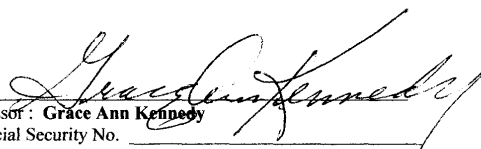
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(24) NO SURFACE OPERATIONS – NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, LESSEE SHALL NOT CONSTRUCT ANY STRUCTURES OR CONDUCT ANY OPERATIONS OF ANY NATURE ON THE HEREIN LEASED PREMISES, BUT LESSEE MAY SECURE OIL AND/OR GAS UNDERLYING LEASED PREMISES BY WELL BOTTOMED UNDER THE SURFACE THEREOF OR BY DRAINAGE FROM LANDS UNITIZED OR POOLED WITH THE PROVISIONS OF THIS LEASE.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals this 20 day of JULY 2010

WITNESS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Lessor: **Grace Ann Kennedy**  
Social Security No. \_\_\_\_\_  
Phone No. \_\_\_\_\_

\_\_\_\_\_  
Lessor :  
Social Security No. \_\_\_\_\_  
Phone No. \_\_\_\_\_

\_\_\_\_\_  
Lessor  
Social Security No. \_\_\_\_\_  
Phone No. \_\_\_\_\_

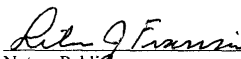
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Lessor  
Social Security No. \_\_\_\_\_  
Phone No. \_\_\_\_\_

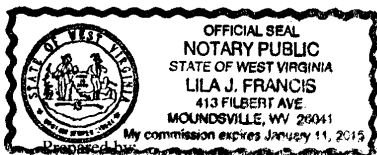
State of West Virginia )  
County of Marshall ) SS:


On the 20 day of JULY in the year 2010, before me, the undersigned, a Notary Public in and for said state, personally appeared Grace Ann Kennedy, a widow, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires: Jan 11 2015

  
Notary Public (SEAL)



  
Approved by: \_\_\_\_\_

Joe Bojalad, President – TriEnergy Holdings, LLC

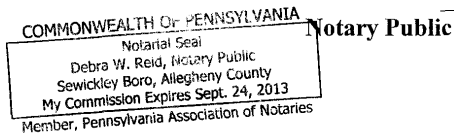
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MARSHALL County 01:13:59 PM  
Instrument No 1291385  
Date Recorded 09/07/2010  
Document Type O&G  
Pages Recorded 4  
Book-Page 707-361  
Recording Fee \$5.00  
Additional \$6.00

## CORPORATION

State/Commonwealth of: PennsylvaniaCounty of: Allegheny SS:

Before me a Notary Public in and for said county and state personally appeared: Joe  
Joseph E. Bojalad, the President  
 of TriEnergy Holdings, LLC, the above named corporation, who acknowledged to me that they did execute the foregoing  
 instrument for and on behalf of said corporation, pursuant to authority so to do of said corporation and that the same is the free act  
 and deed of said corporation and of themselves as such officers, for the uses and purposes therein set forth.

In Testimony Whereof, I have hereunto set my hand and affixed my official seal at Sewickley, PA this 30th day of  
July, 2010.

My Commission expires: 9/24/2013Debra W. Reid

STATE OF WEST VIRGINIA, MARSHALL COUNTY, SCT.:

I, IAN PEST, Clerk of the County Commission of said County, do hereby certify that the annexed writing, bearing  
 date on the 20th day of July, 2010, was presented for and by me, admitted to record in my office upon the  
 above certificate as to the parties therein named this 7th day of September, 2010 at 1:13 o'clock P.M.

TESTE: Ian Pest

Clerk.